A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

K4105-6A

APRIL, 1986

SUMMARY

The economic performance indexes for the major industrial countries are recording steady expansion, and the leading indexes are projecting further advances for the months ahead. There is only one exception to this pattern, Italy, where the leading index has been moving up strongly but the measures of economic performance are simply marking time.

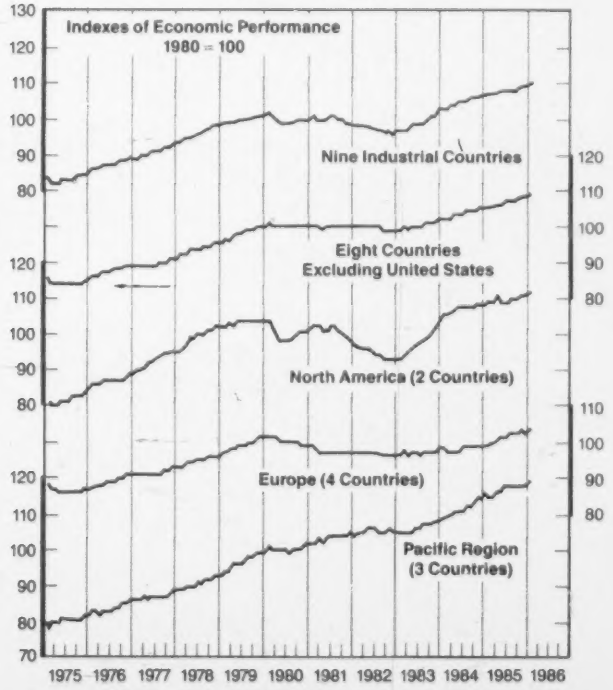
Elsewhere in Europe the situation in the United Kingdom begins to look more promising, while in West Germany and France the indexes maintain healthy growth trends in the 3-5 percent range. In the Pacific region, Japan's indexes have strengthened moderately after a period of hesitancy. (For more on Japan's business cycle, see the article and charts on page 4 and 5.) Australia's performance index continues to advance at a record pace, while its leading index suggests a somewhat slower pace of growth ahead. Economic recovery in Taiwan, R.O.C., has moved into high gear. In North America, Canada's brisk economic expansion persists, while in the United States a promising advance in the leaders suggests that the economy will soon break out of its sluggish pattern.

For the nine countries as a group 4 percent growth is where we are, as well as where we're headed. No boom, but all the more welcome for that reason. For the moment at least, a discouraging word is hard to find.

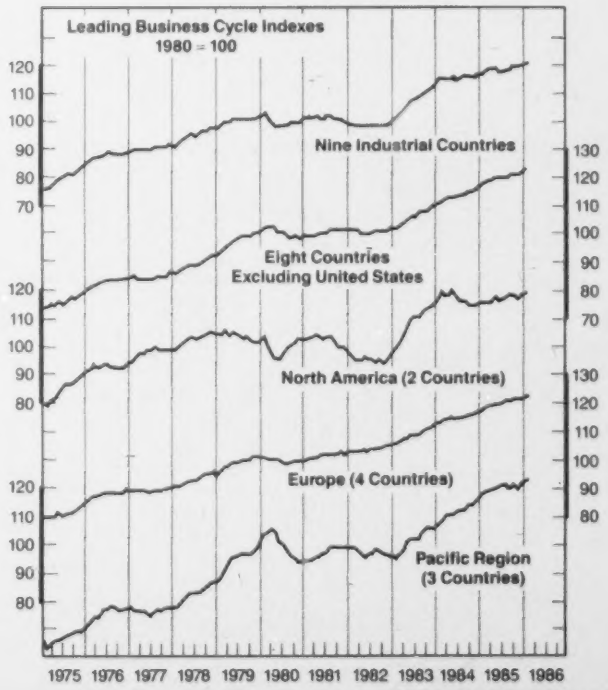
	Ten-year Growth Rate 1969-79	*Indexes of Economic Performance Growth Rates**			*Leading Business Cycle Indexes Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	3	3	4	4	4	4	Expansion continuing	Jan.
8 countries ex. U.S.	4	4	3	4	6	5	4	Expansion continuing	Jan.
North America (2)	3	2	2	3	1	3	3	Expansion continuing	Jan.
Europe (4)	3	4	3	3	5	5	4	Expansion continuing	Jan.
Pacific Region (3)	5	5	3	5	7	5	4	Expansion continuing	Jan.
United States	3	3	2	2	2	1	4	Expansion continuing	Feb.
Canada	4	5	5	5	5	6	5	Expansion continuing	Jan.
West Germany	3	6	5	5	6	6	3	Expansion continuing	Jan.
France	4	3	5	4	7	5	4	Expansion continuing	Jan./Dec.
United Kingdom	2	2	2	1	0	0	4	Expansion stalling	Jan.
Italy	3	1	3	0	8	8	7	Expansion stalling, leaders strong	Oct./Dec.
Japan	5	5	3	4	6	4	4	Expansion continuing	Jan.
Australia	4	7	8	10	15	8	3	Expansion continuing	Jan.
Taiwan, R.O.C.	10	-2	1	7	5	10	13	Expansion reviving	Feb.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are


Indexes of Economic Performance
1980 = 100
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

Where We're Headed


Leading Business Cycle Indexes
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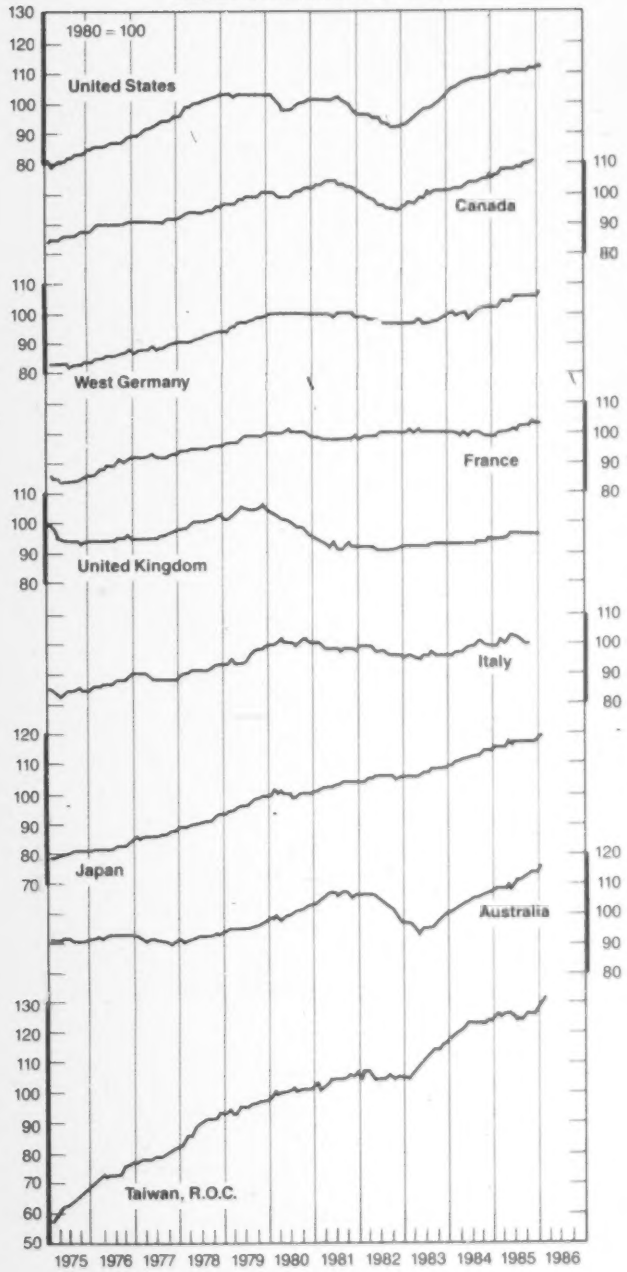
70th Anniversary

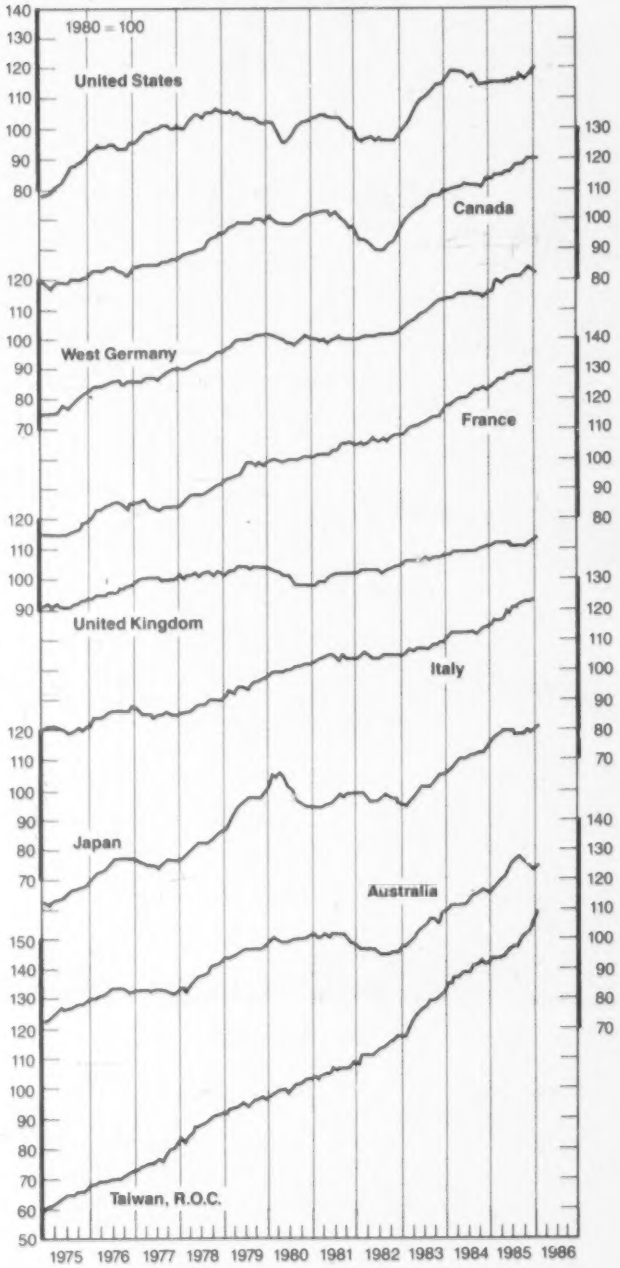
Where We Are

Indexes of Economic Performance



Where We're Headed

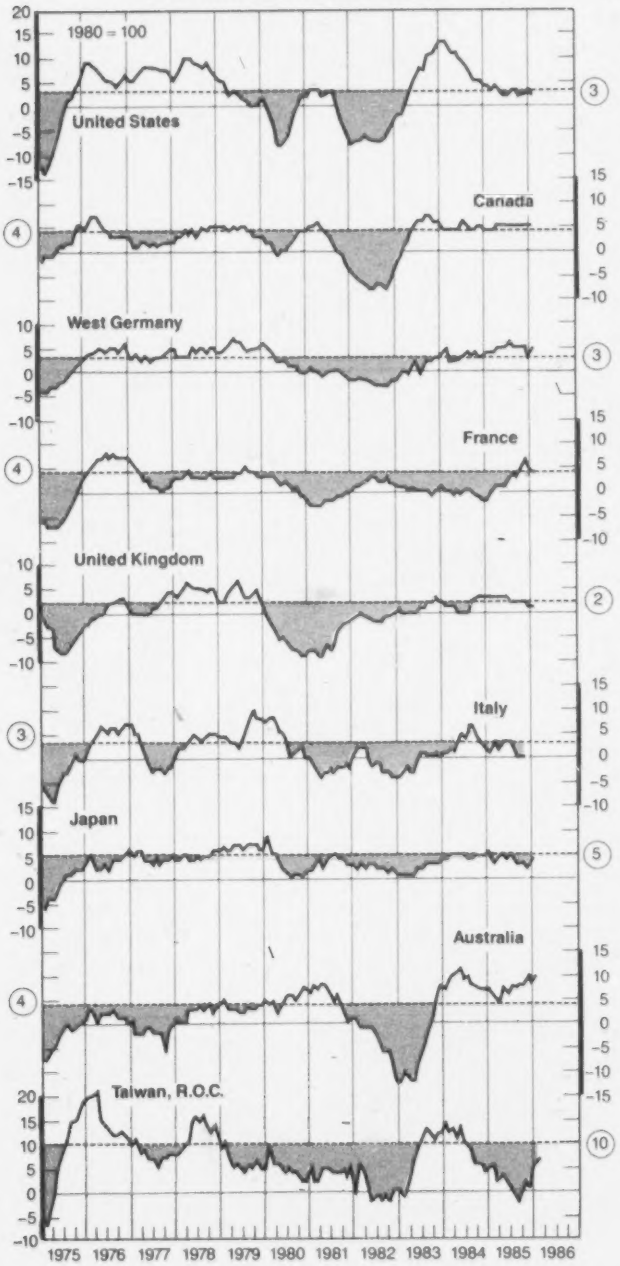
Leading Business Cycle Indexes



Sources: CIBCR and The Conference Board.

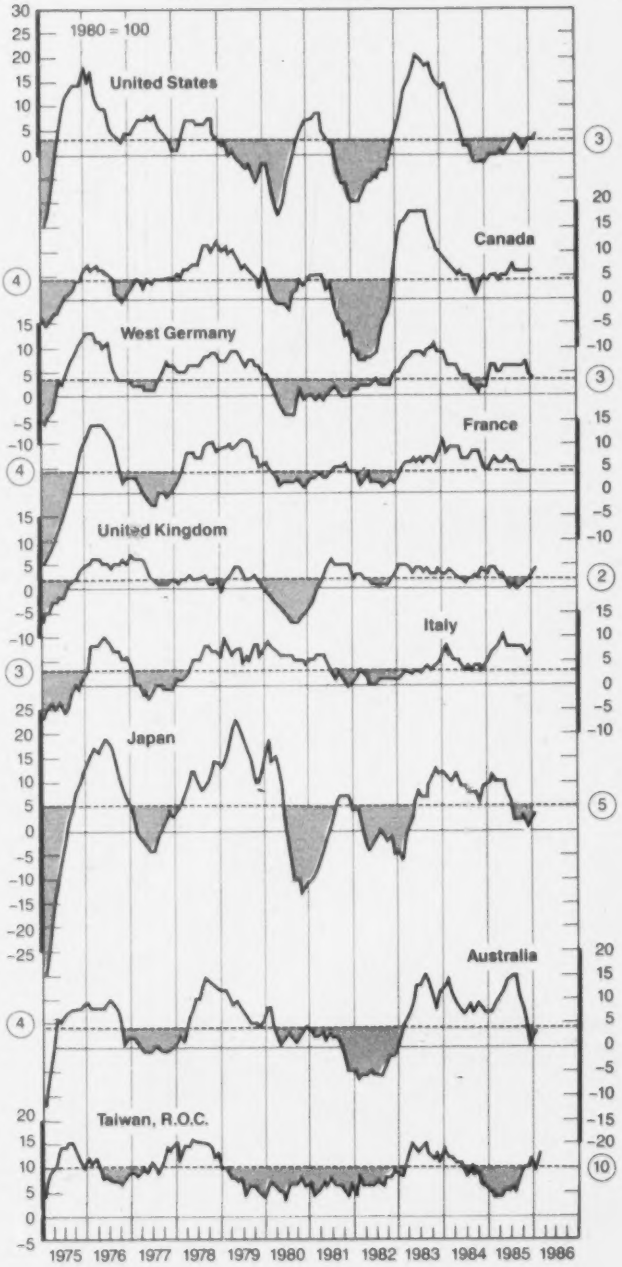
Where We Are

Growth Rates, %, Performance Indexes



Where We're Headed

Growth Rates, %, Leading Indexes



Note: Horizontal dashed lines are average rates for 1969-79 in the index and in Real GNP

Sources: CIBCR and The Conference Board

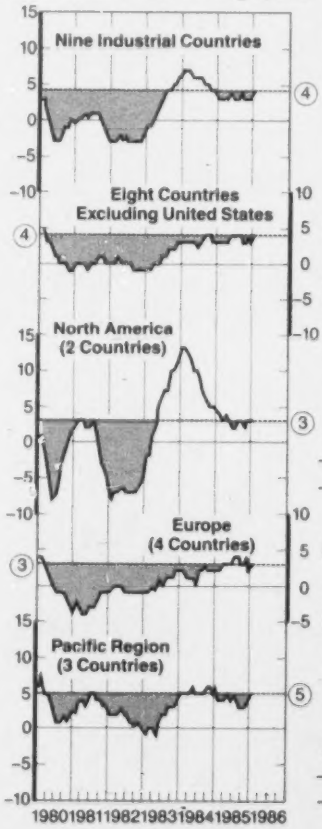
INDEXES, NINE COUNTRIES, 1984-86

		U.S.		Canada		West Germany		France		U.K.		Italy		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	109	116	105	114	102	116	99	124	95	111	99	115	115	116	107	117	126	144
Feb.	85	109	116	106	114	102	119	99	125	95	112	100	116	115	117	108	118	127	144
Mar.	85	109	116	106	115	103	119	100	126	95	112	101	117	115	118	108	120	125	144
Apr.	85	110	116	107	115	104	119	100	127	95	112	100	118	115	119	108	121	126	145
May	85	110	117	108	116	104	120	100	127	96	112	101	120	117	119	110	123	126	146
June	85	109	116	108	116	104	120	100	129	96	112	102	119	116	119	109	125	125	147
July	85	110	117	108	117	106	121	101	129	96	111	102	120	117	119	111	127	125	148
Aug.	85	110	117	109	118	106	121	102	130	96	111	101	121	117	118	111	128	124	148
Sept.	85	110	119	109	118	106	122	102	129	96	111	100	122	117	118	112	127	124	151
Oct.	85	110	118	110	119	106	123	102	129	96	111	100	122	117	120	113	126	126	152
Nov.	85	111	117	110	120	106	124	104	129	96	112		122	117	119	114	125	126	153
Dec.	85	111	118	110	120	106	123	103	130	96	113		123	118	120	114	124	127	156
Jan.	86	112	119	111	120	107	122	103		96	114			119	121	116	125	130	156
Feb.	86	111	120															131	159
		Growth Rates, Percent																	
Jan.	85	4	–2	4	4	4	3	–2	5	3	3	1	4	6	10	7	7	5	5
Feb.	85	4	–1	4	5	4	6	–1	5	3	4	2	7	4	11	6	8	6	5
Mar.	85	3	0	4	5	4	6	0	7	3	4	4	7	3	10	5	10	2	4
Apr.	85	4	0	5	4	5	5	1	6	3	3	1	8	4	10	4	11	3	5
May	85	3	1	5	5	5	5	1	6	3	3	3	11	5	10	7	12	2	5
June	85	2	0	5	5	5	6	1	7	3	2	3	8	4	8	6	14	1	5
July	85	2	1	5	5	6	6	3	6	2	0	3	8	5	6	7	15	–1	6
Aug.	85	3	2	5	7	5	6	4	6	2	1	2	8	4	3	7	15	–2	5
Sept.	85	3	4	5	6	5	6	3	5	2	0	0	8	3	3	8	11	–1	8
Oct.	85	2	3	5	6	5	6	5	4	2	0	0	8	3	4	8	8	2	10
Nov.	85	2	1	5	6	5	7	7	4	2	1		6	2	2	10	4	1	10
Dec.	85	3	3	5	6	3	4	4	4	1	2		7	3	3	8	1	2	12
Jan.	86	3	3	5	5	5	3	4		1	4			4	4	10	3	6	10
Feb.	86	2	4															7	13
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	85	106	116	105	117	108	116	99	117	115	117
Feb.	85	107	117	105	118	109	116	99	118	114	118
Mar.	85	107	118	105	119	109	116	100	119	114	119
Apr.	85	107	118	106	119	110	116	100	119	115	120
May	85	108	119	106	120	109	117	101	120	116	120
June	85	108	118	106	120	109	116	101	120	116	121
July	85	108	119	107	120	109	117	101	120	117	121
Aug.	85	108	119	107	120	110	117	102	121	117	120
Sept.	85	108	120	107	121	110	119	102	121	117	120
Oct.	85	109	120	108	121	110	118	102	122	117	121
Nov.	85	109	120	108	121	111	117	103	122	117	120
Dec.	85	109	120	108	122	111	118	102	122	118	121
Jan.	86	110	121	109	123	112	119	103	123	119	123
		Growth Rates, Percent									
Jan.	85	3	3	3	6	4	–1	2	4	6	9
Feb.	85	3	4	3	7	4	0	2	5	4	10
Mar.	85	3	4	3	7	3	0	3	6	4	10
Apr.	85	3	4	3	7	4	0	3	5	4	10
May	85	4	5	4	7	3	1	3	6	5	10
June	85	3	4	4	7	2	0	3	6	4	9
July	85	3	4	4	6	2	1	4	5	5	7
Aug.	85	4	4	4	5	3	2	4	5	4	5
Sept.	85	3	5	3	5	3	5	3	5	3	4
Oct.	85	3	4	3	5	2	3	3	5	3	5
Nov.	85	3	3	4	4	3	1	4	5	3	3
Dec.	85	3	3	3	4	3	3	2	4	4	3
Jan.	86	4	4	4	4	3	3	3	4	5	4
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

Where We Are

Growth Rates, %, Performing Indexes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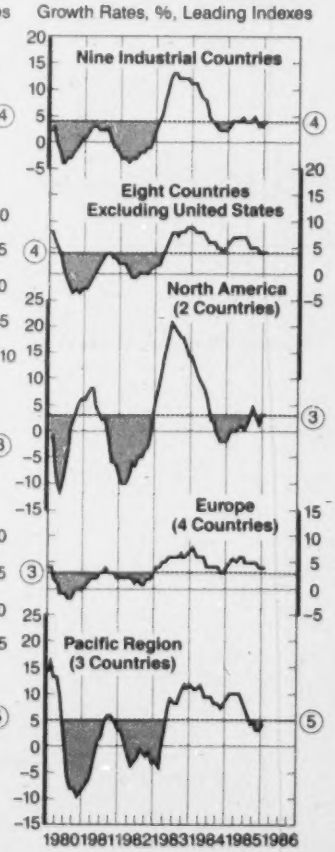
1980 1981 1982 1983 1984 1985 1986

Where We're Headed

Growth Rates, %, Leading Indexes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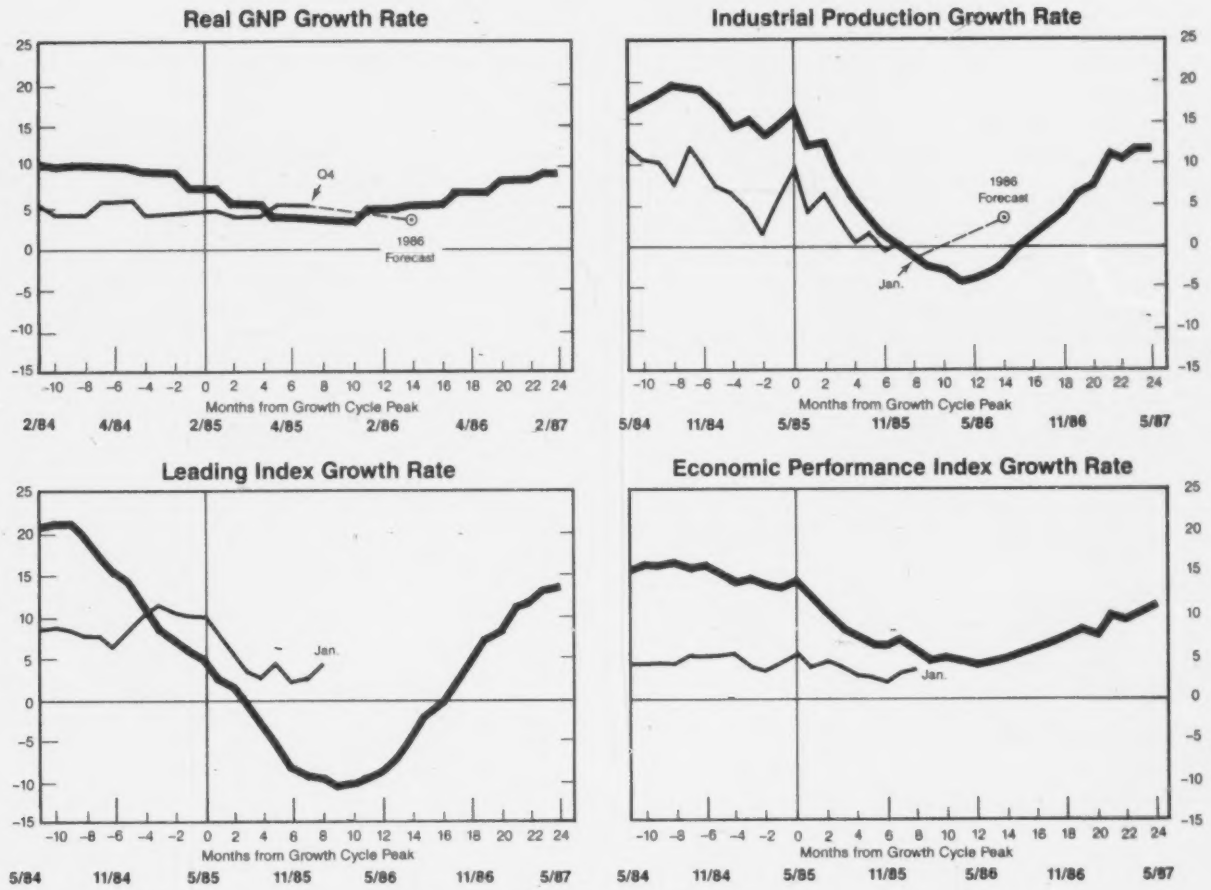
Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP
Sources: CIBCR and The Conference Board

Growth Recessions in Japan

Current Slowdown (from May 1985 or 2Q 1985)
Average of 6 Previous Growth Recessions (1957-83)



Source: Center for International Business Cycle Research, Columbia Business School; 1986 consensus forecasts per Worldscan, April 1986.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

HAS JAPAN AVOIDED A GROWTH RECESSION?

Japan experienced six periods of business cycle weakness between 1957 and 1983 and is touching base with its seventh. These episodes of cyclical weakness, which usually last about a year and a half, include both recessions (when economic activity declines significantly) and the more moderate "growth recessions" (when the economy's *growth rate* falls well below its long-run trend rate).

During the first three quarters of 1985, real GNP in Japan increased at a 3½ percent rate, slower than the ten-year average of 4½ percent. The leading index showed slight weakness over the summer months. This evidence suggests that the Japanese economy may have entered a new growth recession. In the fourth quarter, however, GNP growth increased sharply, and our leading and economic performance indexes for Japan recovered in January from their earlier weakness. Industrial production remains soft, nevertheless, and the latest consensus forecast for Japan, as compiled in mid-April by Blue Chip Economic Worldscan, calls for 1986 growth in real GNP to remain at a modest 3.7 percent. The evidence is, therefore, highly ambivalent, and at the moment it is anybody's guess whether 1985 represents a full-fledged growth recession or just a brief hesitation in an ongoing cyclical expansion.

If it is in fact a growth recession, our monthly economic performance index can help to analyze its dimensions. Tentatively, we would place the starting date for the current slowdown at May 1985. The question is, how does the Japanese performance in the period since May compare with previous growth recessions at the same stage. The accompanying charts do this.

The charts show that the current period slowed down much less dramatically than the average of the six previous growth recessions. The rates of growth in industrial production and the economic performance index have already slackened to about the levels reached in the previous recessions, but they started from lower levels too. The leading index growth rate has not declined as sharply as in the average case, and neither has real GNP growth.

Japan's experience in these affairs is not unlike that of other countries. Between 1957 and 1983 the United States had seven episodes of cyclical weakness (recessions or growth recessions) and five of them occurred at about the same time as those in Japan. Usually the U.S. slowdowns started earlier and ended earlier than Japan's. That pattern may be repeating itself now, since the latest U.S. slowdown began in mid-1984, about a year before the slowdown in Japan. Lately the leading indexes of both countries have begun to suggest that once again the two countries may start setting a faster pace. The actions of the central banks in both countries in early March to lower the official discount rates seem calculated to aid this process. But the verdict is not yet in, and meanwhile *Scoreboard* readers are in a good position to see the results as they unfold.

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